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No. ____

IN THE
Supreme Court of the United States

OCTOBER TERM, 1982

SKIPPY, INC., *Petitioner*,

v.

CPC INTERNATIONAL, INC., *Respondent*.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

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QUESTIONS PRESENTED

1. Whether, as four courts of appeals have held, Rules 38 and 39 of the Federal Rules of Civil Procedure require that there be a written or oral stipulation of counsel on the record before waiver of the right to jury trial can be found or, instead, as six courts of appeals have held, a waiver can be found without any such stipulation, through silence or failure to object to trial by the court even after a jury trial on all issues has been properly demanded.

2. Whether a litigant loses his right to challenge the wrongful denial of jury trial of a legal claim if the trial court rules in his favor on that claim even though the litigant thereby loses the right to have the jury make all related factual findings, which would then be final and binding with respect to all claims in the lawsuit.

3. Whether, in a suit alleging trademark infringement and unfair competition, the right to jury trial on a legal claim for damages requires that the defendant's assertion of plaintiff's laches, and the plaintiff's responding allegations of defendant's fraud and bad faith, also be tried to a jury.

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PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

OPINIONS BELOW

The opinion of the court of appeals (Pet. App. A, *infra*) is reported at 674 F.2d 209. The Memorandum Opinion and Order of the district court is unpublished and is reprinted in Pet. App. B, *infra*.

JURISDICTION

The judgment of the court of appeals was entered on March 5, 1982 (Pet. App. C, *infra*). On May 3, 1982, the court of appeals denied a timely petition for rehearing (Pet. App. D, *infra*). On July 22, 1982, Justice Brennan, acting as Circuit Justice, granted a timely application for extension of time until September 1, 1982, to file a petition for writ of certiorari (Pet. App. E, *infra*). The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

CONSTITUTIONAL PROVISION, STATUTE AND RULES INVOLVED:

Amendment VII, United States Constitution:

> In suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise reexamined in any Court of the United States, than according to the rules of the common law.

Rule 38, Federal Rules of Civil Procedure:

> (a) Right Preserved. The right of trial by jury as declared by the Seventh Amendment to the Constitution or as given by a statute of the United States shall be preserved to the parties inviolate.
>
> (b) Demand. Any party may demand a trial by jury of any issue triable of right by a jury by serving upon the other parties a demand therefor in writing at any time after the commencement of the action and not later than 10 days after the service of the last pleading directed to such issue. Such demand may be indorsed upon a pleading of the party.
>
> (c) Same: Specification of Issues. In his demand a party may specify the issues which he wishes so tried; otherwise he shall be deemed to have demanded trial by jury for all the issues so triable. If he has demanded trial by jury for only some of the issues, any other party within 10 days after service of the demand or such lesser time as the court may order, may serve a demand for trial by jury of any other or all of the issues of fact in the action.
>
> (d) Waiver. The failure of a party to serve a demand as required by this rule and to file it as required by Rule 5(d) constitutes a waiver by him of trial by jury. A demand for trial by jury made as herein provided may not be withdrawn without the consent of the parties.

Rule 39(a), Federal Rules of Civil Procedure:

> When trial by jury has been demanded as provided in Rule 38, the action shall be designated upon the docket as a jury action. The trial of all issues so demanded shall be by jury, unless (1) the parties or their attorneys of record, by written stipulation filed with the court or by an oral stipulation made in open court and entered in the record, consent to trial by the court sitting without a jury or (2) the court upon motion or of its own initiative finds that a right of trial by jury of some or all of those issues does not exist under the Constitution or statutes of the United States.

15 U.S.C. § 1117:

> When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction.

STATEMENT

A.
PETITIONER'S COMPLAINT

In 1980, petitioner Skippy, Inc. filed suit against respondent CPC International, Inc. ("CPC") in federal district court in Virginia, asserting claims of trademark infringement and unfair competition under both federal and state law. The complaint alleged that by its use of the name "Skippy" to market peanut butter, CPC was infringing on petitioner's exclusive rights to use that trademark. Petitioner sought damages, a permanent injunction and other equitable relief, and accompanied its complaint with a general jury demand.

Petitioner inherited its rights over the trademark in 1932 from Percy L. Crosby, a noted cartoonist of the time who created in 1923 a popular and successful cartoon character named "Skippy." Within a few years after its creation, the Skippy cartoon strip was syndicated nationally and continued to be syndicated for almost twenty years (JA 8).[1] After obtaining federal trademark registration for Skippy in 1925, Crosby formed Skippy, Inc. and assigned to it all of his trademarks, copyrights and contracts for "Skippy" (JA 8; Exh. 52-68).

Respondent CPC derived its use of the Skippy name from Joseph L. Rosefield and Rosefield Packing Company, which manufactured or licensed the manufacture of peanut butter starting in approximately 1918 (JA 10). Rosefield began using the name "Skippy" for its peanut butter in 1933 (JA 10, 30). The early labels for the product showed the name printed on a white picket fence with a paint bucket and brush standing nearby (JA 185, 191-192, 384; Exh. 178-180). Both of these symbols appeared regularly in and were associated with the Skippy cartoon (see JA 37-38; Exh. 109-123).

Joseph Rosefield attempted to register Skippy as a federal trademark for his peanut butter in 1933, but petitioner successfully opposed the registration (JA 11). Rosefield nevertheless continued to use the Skippy trademark and in 1947 again filed for federal trademark registration, this time successfully (JA 12). Despite his knowledge of the 1933 opposition, Joseph Rosefield declared under oath in the application that "no other person, firm, corporation or association, to the best of his knowledge and belief, has the right to use such trademark in commerce . . . either in the identical form thereof or in such near resemblance thereto as might be calculated to deceive" (JA 12; Exh. 569).

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[1] "JA" refers to the Joint Appendix filed by the parties on appeal. "Exh." refers to the joint exhibit volumes filed on appeal.

In 1954, as part of an agreement to sell Rosefield Packing to Best Foods, Inc., CPC's predecessor, Joseph Rosefield filed with the Commissioner of Patents an application for incontestable rights in the Skippy mark, consisting of an affidavit declaring that "there has been no final decision adverse to [Rosefield's] claim of ownership of such marks for such goods, or its right to register the same" (Exh. 450, 452-453, 332). Rosefield's rights to the "Skippy" mark were transferred to Best Foods, Inc. and, in 1959, to Corn Products Company, which changed its name in 1969 to CPC International, Inc. (JA 13).

Petitioner's complaint alleged that respondent committed fraud on the trademark and patent offices through false filings, infringed petitioner's federal and common law trademark rights, and violated federal and common law prohibitions against unfair competition. Petitioner sought "damages suffered by plaintiff, the exact amount to be proved at trial," a permanent injunction against CPC's use of the Skippy name, and an order requiring the Commissioner of Patents and Trademarks to cancel CPC's registration of the Skippy trademark (JA 19-20).

In addition to the facts set forth above, petitioner described the events occurring between 1976 and 1978 that resulted in the signing of a document entitled "Option Agreement"—a document that purported to be "a settlement and accord and satisfaction" of controversies between the parties over use of the Skippy name.[2] Petition-

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[2] In the agreement, Skippy, Inc. granted to CPC "a non-transferrable option to obtain an exclusive license to use [the comics, cartoons and artwork portraying 'Skippy' and owned by petitioner] in the promotion and advertisement of food products marketed by CPC or its subsidiaries" in exchange for payment of $25,000 by CPC (JA 39), and "release[d] and agree[d] to hold CPC harmless from any and all differences and controversies which may have existed in the past or may now exist between Skippy and CPC as relates to the use of the [comics, cartoons and artwork] or use of the name 'Skippy' " (JA 40).

er claimed that it had been induced to enter into the Option Agreement by CPC's representation that it intended to conduct marketing programs utilizing the Skippy cartoon character; these marketing programs would have produced further income for petitioner, but CPC conducted no such programs (JA 14-15). Petitioner produced evidence demonstrating that, unbeknownst to petitioner at the time, CPC had already rejected the use of the Skippy character when the Agreement was signed (JA 96-97, 295-300).

Moreover, petitioner alleged that the law firm of Lord, Day & Lord, which represented Percy Crosby and Skippy, Inc. until 1952 but which now represents CPC, had at CPC's request withheld the law firm's "Skippy, Inc." files from petitioner until CPC consented to release of the files after petitioner signed the Option Agreement, and that petitioner would not have entered into the Agreement if it had had access to those files (JA 13-15). These allegations raised the issue of fraudulent procurement of the Option Agreement and release,[3] supported the claim for damages for trademark infringement,[4] and defended

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[3] In denying CPC's motion for summary judgment on petitioner's equitable claim, the district court expressly ruled that the pleadings raised disputed issues of fact regarding fraudulent procurement. See Pet. App. F, *infra*, at 30a.

[4] As petitioner argued at greater length in opposition to CPC's first motion for summary judgment, CPC's fraud in procuring the release might change the period for which damages for trademark infringement would be available. In particular, if a plaintiff in a trademark infringement suit proves infringement but is guilty of laches, he will not be awarded damages for past infringement for the time during which he failed to assert his rights. He may, however, receive damages for the time after he asserted his rights by commencing the lawsuit. *See, e.g., James Burrough Ltd.* v. *Sign of the Beefeater, Inc.*, 572 F.2d 574 (7th Cir. 1978). Petitioner argued that CPC's fraud in procuring the release might lead the court or jury to award damages as well for the time during which petitioner was thus fraudulent-

against CPC's anticipated reliance on the Option Agreement and release as a defense.

In its answer, respondent generally denied infringement and raised several affirmative defenses, including release under the 1978 "Option Agreement," and laches, estoppel and abandonment as a result of alleged nonenforcement of Skippy's trademark rights. (JA 23-29). Respondent also counterclaimed against petitioner, alleging interference with its own rights to use the Skippy trademark and breach of the contract of release. Respondent requested a declaratory judgment regarding the respective rights of the parties to the Skippy mark, and $25,000 in damages plus interest for breach of the Option Agreement (JA 29-37). Petitioner's answer denied the validity of the release on grounds of fraud.

B.
SUMMARY JUDGMENT RULINGS

CPC moved for summary judgment on petitioner's complaint on the ground that petitioner's conduct amounted to laches and estoppel barring both equitable relief and an award of damages.[5] Petitioner opposed summary judgment on the ground that there were unresolved issues of fact precluding summary relief. Petitioner had raised factual questions regarding whether CPC's predecessor, Joseph Rosefield, had adopted use of the Skippy mark in bad faith, whether CPC had fraudulently induced execution of the "Option Agreement" and re-

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ly induced to refrain from asserting its rights. *See* Plaintiff's Opposition to Defendant's Motion for Summary Judgment, at 25-26; Supplemental Appendix on appeal, at 12-34. Petitioner also argued that CPC's fraud on the patent office and willfulness in infringing petitioner's trademark might lead the factfinder to award damages despite petitioner's alleged laches. *Id.*

[5] Statement of Points and Authorities in Support of Defendant's Motion for Summary Judgment on Grounds of Laches and Estoppel.

lease, and whether the alleged delay by petititioner in asserting its rights was sufficient to bar relief or was instead excused in part by CPC's actions or other events.' Petitioner specifically suggested that although laches alone may bar an award of past damages, "a court or jury may award damages" if there is also evidence of bad faith adoption and use of the trademark, and might award damages for fraud and deceit for the period between signing of the Option Agreement and filing of the lawsuit.[6]

After a hearing on CPC's motion before Judge Albert V. Bryan, Jr., the court denied summary judgment on petitioner's claims to injunctive relief because factual matters remained to be determined, but granted summary relief on the claim for damages.[7]

The court also ruled that there would be no jury trial on any portion of the case, and refused to entertain any reargument of its rulings:[8]

The Court: So partial summary judgment will be awarded the defendant, granting the defendant's motion to dismiss the damage claim.

Mr. Gettings (Counsel for CPC): Your Honor, that, I assume, means we have a non-jury trial, is that correct?

The Court: Well, there isn't anything left in the cases but injunctive relief requested and that is not appropriate for a jury.

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[6] Plaintiff's Opposition to Defendant's Motion for Summary Judgment, at p. 25-26; see note 4 *supra*.

[7] The transcript of the court's oral ruling is reprinted at Pet. App. F, *infra*, 30a-31a.

[8] Transcript of Proceedings, June 24, 1980, at 35-36, reprinted in Supplemental Appendix on Appeal, at 35-36.

Mr. Gettings: Thank you.
Mr. Trattner (Counsel for Skippy, Inc.):
Your Honor, may I be heard for a second?
The Court: Not on anything I have already ruled on.
Mr. Trattner: Just a clarification of law, Your Honor.
The Court: All right.
Mr. Trattner: The cases that have been cited by both the plaintiff and defendant on the issue of damages state that the—
The Court: I'm not going to go back into that. I have ruled on that.
Mr. Trattner: I appreciate that, Your Honor. I would like to get a clarification of your order.
The Court: The order is that the damage claim is dismissed.
Mr. Trattner: May I ask one question on that?
The Court: If that needs clarification.
Mr. Trattner: I would like to know whether the damage claim is dismissed as to all damages prior to the filing of the complaint or not.
The Court: All damages. All damages.
Mr. Trattner: Thank you, Your Honor.
The Court: I'll draft the order, gentlemen.
Mr. Trattner: Thank you, Your Honor.

The order recited that "partial summary judgment is awarded the defendant on plaintiff's complaint and the claim for damages in the complaint is stricken" (JA 42). No ruling had been requested, and none was made, on CPC's counterclaim for money damages.

Despite the court's statement that it would not "go back into" questions related to petitioner's damage claims, petitioner filed a motion to reconsider the ruling striking "all damages." In it, petitioner argued that the parties in their pleadings had not addressed the availability of damages for unfair competition, as distinguished

from trademark infringement, that a jury trial was required on such claims for damages, and that the equitable defenses of laches and estoppel should not be considered applicable to legal claims.[9] The motion was denied.

CPC subsequently moved for summary judgment on petitioner's remaining equitable claims on the grounds of release, abandonment, and incontestability of respondent's own trademark rights based on Joseph Rosefield's 1954 filing with the trademark office.[10] Petitioner opposed the motion on the basis that genuine issues of material fact remained regarding whether there was fraud by respondent in obtaining the release, whether the validity of the release depended upon respondent's use of the Skippy literary property, and whether the facts demonstrated abandonment.[11] On July 18, 1980, Judge Bryan denied the motion for summary judgment because there were issues of fact remaining to be decided by the fact finder, including whether petitioner "was induced to sign the option release agreement because of a material misrepresentation," "whether withholding of the files or the information in the files by Lord, Day and Lord was a factor in inducing [petitioner] to sign the agreement," and "as to the intent to abandon and as to what use was made of the trademark, trade name during the period '45 to '68."[12]

C.

TRIAL ON THE MERITS

After a non-jury trial on the merits before Judge Oren R. Lewis, the court issued its Memorandum Opinion and

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[9] Plaintiff's Motion to Reconsider Order, at 2-3.

[10] See p. 5, *supra*.

[11] Plaintiff's Opposition to Defendant's Motion for Summary Judgment.

[12] The transcript of Judge Bryan's oral ruling is reprinted at Pet. App. G, *infra*, at 32a.

Order.[13] The court found, as matters of fact, that there was an insufficient showing of confusion between the trademarks; that petitioner had failed to take legal action to protect the Skippy name for an extended period of time, although this did not amount to abandonment of the trademark; that petitioner had released CPC from claims for past damages; and that there was no fraud by CPC in inducing petitioner to sign the release. As a result of these findings, the court denied petitioner's claim for injunctive relief.

The court further found that CPC's counterclaims for injunctive relief and for breach of contract should be denied for lack of proof. The court recognized the existence of a contract of release between the parties, but ruled that petitioner had not breached it.

D.

THE DECISION OF THE COURT OF APPEALS

On appeal, petitioner challenged the trial court's adverse factual and legal rulings on the merits, the dismissal of its claim for damages, and the denial to petitioner of its right to a jury trial. On the question whether summary judgment was properly granted, the court of appeals held that laches will bar a claim for damages for trademark infringement despite the infringer's bad faith, and that "Judge Bryan did not abuse his discretion in applying laches to bar Skippy, Inc.'s claims for damages for trademark infringement and unfair competition."[14] With respect to Judge Lewis' rejection of petitioner's claim for injunctive relief, the court of appeals affirmed on the basis of Judge Lewis' factual findings that CPC had

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[13] Pet. App. B, *infra*. The court had denied CPC's motions for directed verdict at the close of the evidence.

[14] Pet. App. A at 4a.

not committed fraud and that the release was valid—findings that precluded equitable relief.[15]

A majority of the court of appeals, with Judge Widener dissenting, further ruled that there was no error in denying petitioner a trial by jury. First, in the court's view the complaint did not adequately state an independent claim for damages based solely on fraudulent inducement of the release such as would entitle petitioner to a jury trial on that issue; by not specifically alerting the district court to the existence of such a claim, petitioner waived its right to object later.[16] Second, the trial court "apparently construed the fraudulent procurement allegations in the complaint to state grounds for rescission of the release,"[17] an equitable claim for which there is no right to jury. Had the trial court instead viewed the allegations as responding to CPC's reliance on the release as a defense to the petitioner's damage claim, the allegations of fraud would then have related to a legal claim and would have been subject to trial by jury. Petitioner's failure to correct the district court's erroneous interpretation, the court of appeals held, served as a waiver of the right to a jury trial that petitioner otherwise would have had on the question of validity of the release.[18] Finally, the court of appeals majority ruled that petitioner could not complain that it had been denied a jury trial on CPC's legal counterclaim because the trial court had ruled in petitioner's favor on that claim.[19]

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[15] Pet. App. A, at 4a-6a.

[16] Pet. App. A at 7a-9a.

[17] Pet. App. A at 9a.

[18] Pet. App. A at 9a-10a.

[19] Pet. App. A at 10a. Petitioner also appealed the trial court's judgment that CPC had acquired incontestable rights in the Skippy trademark by its 1954 filing with the Commissioner of Trademarks. The court of appeals reversed on this ground, finding that Joseph Rosefield's affidavit in the filing was false. Pet. App. A at 11a.

Judge Widener, in dissent, stated that he agreed with the majority on waiver but believed that this Court's decision in *Dairy Queen* v. *Wood*, 369 U.S. 469 (1962), mandated trial by jury on some of the issues that had been tried to the court. Judge Widener also dissented from the denial of the petition for rehearing (Pet. App. D).

REASONS FOR GRANTING THE WRIT

The first issue presented by this case is one on which the courts of appeals are deeply divided. Five courts of appeals agree with the court below that despite a civil litigant's timely demand for a jury trial, this important Seventh Amendment right is waived by the litigant's later silence. Four other courts of appeals, interpreting Rules 38 and 39, Fed. R. Civ. Pro., disagree and hold that silence cannot operate as a waiver, particularly in view of this Court's command that the lower federal courts must "indulge every reasonable presumption against waiver" of the right to a jury trial.[20]

This conflict among the courts of appeals on a recurring issue of undeniable significance is, we believe, reason enough for the petition to be granted. But there is more. The decision below also errs in analyzing the relationship between the legal and equitable claims asserted by the parties, and thereby further threatens to erode the jury trial protections established by this Court in *Beacon Theatres, Inc.* v. *Westover*, 359 U.S. 500 (1959), and *Dairy Queen, Inc.* v. *Wood*, 369 U.S. 469 (1962). Indeed, the errors committed by the Fourth Circuit are but one example of the confusion among the courts of appeals regarding the meaning of these two decisions when applied to cases involving complex combinations of legal and equitable claims.[21] Review by this Court is necessary in

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[20] *Aetna Insurance Co.* v. *Kennedy*, 301 U.S. 389, 393 (1937).

[21] *See generally* Wright & Miller, Federal Practice and Procedure, § 2311.

order to settle the controversy surrounding this difficult area and to ensure that litigants are not denied their fundamental right to trial by jury.

A.

THE DECISION BELOW CONFLICTS WITH THE DECISIONS OF OTHER COURTS OF APPEALS REGARDING THE REQUIREMENTS FOR WAIVING THE RIGHT TO A JURY TRIAL

Rule 38 of the Federal Rules of Civil Procedure specifies that a party seeking a jury trial must serve "upon the other parties a demand therefor in writing at any time after the commencement of the action and not later than 10 days after the service of the last pleading directed to such issue."[22] If a party timely makes a general demand for a jury, "he shall be deemed to have demanded trial by jury for all the issues so triable."[23]

Failure to make demand for jury trial pursuant to Rule 38 constitutes a waiver of the right to jury trial.[24] But once a timely demand is made, Rule 39(a) provides that "trial of all issues so demanded shall be by jury, unless (1) the parties or their attorneys of record, by written stipulation made in open court and entered in the record, consent to trial by the court sitting without a jury or (2) the court upon motion or of its own initiative finds that a right of trial by jury of some or all of those issues does not exist under the Constitution or statutes of the United States."

These Rules provide explicit instructions regarding the manner of making a jury demand and the manner of withdrawing or waiving it. By making waiver dependent on express agreement of the parties, the Rules follow this Court's observation that "as the right of jury trial is

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[22] Fed. R. Civ. Pro. 38(b).

[23] Fed. R. Civ. Pro. 38(c).

[24] Fed. R. Civ. Pro. 38(d).

fundamental, courts indulge every reasonable presumption against waiver."[25] Several courts of appeals have held that these Rules mean exactly what they say and that mere acquiescence to a bench trial therefore cannot constitute waiver.[26] The Second Circuit, for example, has held that "short of a party's consent, there could be no effective waiver except by [failure timely to file a demand under] Rule 38."[27] In *DeGioia* v. *United States Lines Company*,[28] that court of appeals rejected any finding of waiver although after the initial demand was made the question of jury trial was never again explicitly raised. Indeed, in *DeGioia* the jury demand was discovered only after the verdict had been rendered.[29]

Under the standards enunciated by these appellate courts, petitioner Skippy, Inc. would have been entitled to a reversal of the judgment because of the denial of a jury trial. Petitioner made a timely jury demand, there were issues of fact that should have gone to a jury,[30] and

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[25] *Aetna Insurance Co.* v. *Kennedy*, 301 U.S. at 393 & n.2.

[26] *See Palmer* v. *United States*, 652 F.2d 893 (9th Cir. 1981); *Rosen* v. *Dick*, 639 F.2d 82 (2d Cir. 1980); *Fields Engineering & Equipment, Inc.* v. *Cargill, Inc.*, 651 F.2d 589 (8th Cir. 1981); *Johnson* v. *Penrod Drilling Co.*, 469 F.2d 897 (5th Cir. 1972), *aff'd on this issue on rehearing*, 510 F.2d 234 (5th Cir. 1975) (en banc), *cert. denied*, 423 U.S. 839 (1975).

[27] *Heyman* v. *Kline*, 456 F.2d 123, 128 n.5 (2d Cir.), *cert. denied*, 409 U.S. 847 (1972).

[28] 304 F.2d 421 (2d Cir. 1962).

[29] *Id.* at 424. In *DeGioia* the court had decided to use an advisory jury, so when the jury demand was discovered, the jury's verdict, rendered in an advisory capacity, was made binding and no retrial was required. However, the fact that a jury had been impanelled for other purposes played no role in the court's decision rejecting a finding of waiver. The Second Circuit has reaffirmed the *DeGioia* holding several times. *See Rosen* v. *Dick*, *supra*; *Heyman* v. *Kline*, *supra*.

[30] See pages 19-24 *infra*.

there was no oral or written stipulation by the parties withdrawing the case from the jury. But the Fourth Circuit decided that petitioner, through silence, had waived the protections of the Seventh Amendment.[31] In so holding, the court below placed itself squarely in conflict with the Second, Fifth, Eighth, and Ninth Circuits[32]—but in agreement with the Third, Sixth, Seventh, Tenth and District of Columbia Circuits.[33] These latter courts have expressly held that, after making timely demand for jury trial, a party may waive his right to a jury trial through inaction. Recently, in *Palmer* v. *United States*, the Ninth Circuit noted the conflict between these two views and then adopted the position that waiver can occur only under the express terms of Rules 38(d) and 39(a).[34]

The decisions of the courts of appeals on the question of waiver reveal two inconsistent interpretations of the requirements of the Federal Rules and the Seventh Amendment. Conduct which in some Circuits will adequately preserve a party's right to jury trial will in other Circuits constitute a waiver of that right.[35] The confusion

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[31] See page 12 *supra*.

[32] See note 26 *supra*.

[33] *Plechner* v. *Widener College, Inc.*, 569 F.2d 1250 (3rd Cir. 1977); *Amburgey* v. *Cassady*, 507 F.2d 728 (6th Cir. 1974); *National Family Insurance Co.* v. *Exchange National Bank of Chicago*, 474 F.2d 237 (7th Cir.), *cert. denied*, 414 U.S. 825 (1973); *Niebuhr* v. *State Farm Mutual Automobile Insurance Co.*, 486 F.2d 618 (10th Cir. 1973); *Rodenbur* v. *Kaufmann*, 320 F.2d 679 (D.C. Cir. 1963).

[34] 652 F.2d at 896.

[35] Indeed, the confusion and uncertainty regarding the proper standard is so widespread that courts of appeals in at least two Circuits have recorded decisions on both sides of the issue. *Compare Johnson* v. *Penrod Drilling Co.*, 469 F.2d 897, 902-904 (5th Cir. 1972) (waiver can occur only by compliance with Rule 39), *aff'd on this issue on rehearing*, 510 F.2d 234, 235 (5th Cir. 1975) (en banc), *cert. denied*,

generated by these conflicting decisions should not be permitted to continue. Only this Court can settle the controversy and establish with certainty the requirements for preserving or waiving the fundamental constitutional right to trial by jury.

B.

THE DECISION BELOW RAISES SIGNIFICANT AND RECURRING QUESTIONS CONCERNING THE SCOPE OF THE RIGHT TO A JURY TRIAL WHEN LEGAL AND EQUITABLE CLAIMS ARE COMBINED

Although trial by jury in suits at common law is guaranteed by the Seventh Amendment,[20] equitable claims have traditionally been tried to the court. When enactment of the Federal Rules of Civil Procedure merged law and equity, questions arose regarding the effect of this merger on the right to jury trial. In a series of decisions, this Court established that the right to trial by jury is to remain absolute under the present system. If law and equity are combined in a single case and a demand for a jury trial is made, legal claims must be tried first to the jury and the jury's findings on issues related to both legal and equitable claims are binding on the court when it

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423 U.S. 839 (1975) *with Southland Reship, Inc.* v. *Flegel*, 534 F.2d 639, 643-645 (5th Cir. 1976) (waiver is shown by mere acquiescence); *compare Skippy, Inc.* v. *CPC International, Inc.*, Pet. App. A at 7a-10a (4th Cir. 1982) (right to jury trial lost by failure to object) *with Millner* v. *Norfolk & Western Railway Co.*, 643 F.2d 1005, 1010-1011 (4th Cir. 1981) (waiver must be by oral or written stipulation and not by failure to object).

[20] United States Constitution, Amendment VII:

> In suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury shall be otherwise reexamined in any Court of the United States, than according to the rules of the common law.

determines the availability of equitable relief.[37] This is true regardless whether the legal claims are characterized as "incidental" to the equitable ones. "As long as any legal cause is involved the jury rights it creates controls."[38]

In determining whether a particular matter is legal or equitable, it is the "nature of the issue to be tried rather than the character of the overall action" that controls.[39] The "nature of the issue," in turn, depends upon "first, the pre-merger custom with reference to such questions; second, the remedy sought; and third the practical abilities and limitations of juries."[40] Even when pre-merger custom suggests trying particular issues to the court, if those issues are also tied to legal claims in the same lawsuit, the right to jury trial of the legal claims must prevail.[41] "It is equally clear from [*Dairy Queen, Inc.* v. *Wood, supra*] that ambiguities and inelegancies in a pleading will not defeat a demand for a jury trial so long as it reasonably appears that the substance of what is pleaded constitutes a claim for relief at law."[42]

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[37] *Beacon Theatres, Inc.* v. *Westover*, 359 U.S. 500 (1959). *Beacon Theatres* recognized a possible exception when the court determines that the party with equitable claims cannot have adequate relief if the legal claims are tried first, but went on to say that "only under the most imperative circumstances which in view of the flexible procedures of the Federal Rules we cannot now anticipate, can the right to a jury trial be lost through prior determination of equitable claims." *Id.* at 510-511. Indeed, we have found no cases in which such extraordinary circumstances were found to exist in the 23 years since *Beacon Theatres*.

[38] *Dairy Queen, Inc.* v. *Wood*, 369 U.S. at 473 & n. 8 (1962); *Fitzgerald* v. *United States Lines Co.*, 374 U.S. 19 (1963).

[39] *Ross* v. *Bernhard*, 396 U.S. 531, 538 (1970).

[40] *Id.* at 538 n. 10.

[41] *Beacon Theatres, Inc.* v. *Westover, supra*.

[42] *Robine* v. *Ryan*, 310 F.2d 797, 798 (2d Cir. 1962).

It is against the background of the "historic and continuing strength"[43] of the federal policy favoring jury trials and the importance of maintaining that policy despite complex intertwining of legal and equitable claims that the decision in this case must be evaluated. As we next discuss, petitioner was entitled to trial by jury on several claims and their related factual issues. By refusing to order a jury trial, the courts below have made a serious incursion into critical Seventh Amendment rights, threatening all cases in which law and equity are combined.

Because petitioner made a general jury demand, it should have been granted a jury trial on every issue related to any legal claim asserted by either petitioner or respondent,[44] unless the court could properly take the issue or the claim from the jury because there were no facts in dispute.[45] Petitioner asserted a legal claim for damages for trademark infringement, unfair competition and fraud on the patent office, and respondent asserted a legal counterclaim for damages based on petitioner's alleged breach of the contract of release between them. These claims should have been tried to a jury unless the court could properly hold as a matter of law that no relief could be granted.

The trial judge erred when he, rather than a jury, decided CPC's counterclaim for damages despite its legal nature. Without finding this procedure proper, the court of appeals affirmed nonetheless because, it said, petitioner had no basis for appealing the error since the trial court in any event awarded no damages against petitioner.[46]

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[43] *Simler* v. *Conner*, 372 U.S. 221, 222 (1963).

[44] See *Ross* v. *Bernhard*, 396 U.S. at 538; *Dairy Queen, Inc.* v. *Wood*, 369 U.S. at 479.

[45] *Tights, Inc.* v. *Stanley*, 441 F.2d 336, 340 (4th Cir.), *cert. denied*, 404 U.S. 852 (1971).

[46] Pet. App. A, at 10a.

The court of appeals held, in effect, that the error was harmless. In so ruling, the court ignored the fact that the right to have a jury try a claim carries with it the right to have the jury determine each fact underlying the claim, and to have the jury's determination be conclusive for all parts of the case.[47]

Petitioner's right to a jury trial of the breach-of-contract counterclaim necessarily included the right to have the jury determine whether the contract of release was valid or, as petitioner claimed, induced by fraudulent misrepresentation. The jury's finding on this factual question would then have been binding on the trial judge when he considered petitioner's claims for equitable relief. Rather than following this course, the trial judge took it upon himself to hear and decide these issues. Although the judge denied monetary relief to CPC on its counterclaim, he did so by finding that the contract of release was not induced by fraud and hence was valid, but that it was not breached.[48] It was precisely on the basis of this factual finding—that a valid release had been executed—that the trial judge denied injunctive relief to petitioner and that the court of appeals affirmed.[49] Petitioner had a right to have this decisive factual finding made by a jury.

The court of appeals seriously erred when it refused to order a new trial before a jury on the legal counterclaim and all other claims with overlapping issues.[50] The deci-

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[47] *Dairy Queen, Inc.* v. *Wood*, 369 U.S. at 479.

[48] Memorandum Opinion and Order of November 24, 1980, Pet. App. B at 21a, 24a-25a.

[49] Pet. App. A at 4a-6a.

[50] See Pet. App. A at 12a (Widener, J., dissenting). If petitioner is entitled to a new trial on legal issues that should have been tried to a jury, petitioner is also entitled to retrial of any equitable claims that depend upon the same factual findings. Thus in *Heyman* v. *Kline*, *supra*, the appellee offered to waive application of collateral estoppel

sion establishes a rule that denial of a party's right to trial by jury on a legal claim is acceptable so long as the court finds for that party on that claim, regardless of what impact the denial may have on the remaining equitable issues. Such a rule is incorrect. It is contrary to this Court's express pronouncements and, in effect, condones a denial of the constitutional right to jury trial.[51]

Petitioner was also improperly denied a jury trial on its own legal claim for damages. The trial court held that petitioner was not entitled to damages when it granted CPC's motion for summary judgment, and it did so by making a factual finding that petitioner was guilty of laches.[52] The trial court and the court of appeals rejected petitioner's claim that its allegations regarding CPC's fraud were factual issues related both to its own damage claim and to evaluation of CPC's assertion of laches as a defense to the damage claim, and were thus subject to trial by jury.[53] These rulings present for review two critical questions concerning the right to jury trial, questions that recur frequently in federal and common law trademark infringement and unfair competition cases.

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of the trial court's findings on the equitable claims upon retrial to a jury of the legal claims erroneously tried first to the court. The court of appeals nevertheless reversed and remanded all issues because both the other party and the court itself had substantial interests in consistency which required retrial of both legal and equitable claims.

[51] It will also likely encourage litigants to seek the extraordinary relief of mandamus to compel trial by jury immediately rather than risk the loss of the right depending upon the court's holding on the legal relief itself. Mandamus is available to contest denial of jury trial before the trial takes place, *Beacon Theatres, Inc.* v. *Westover*, 359 U.S. at 511 & n. 20, although review may also be sought after judgment. *National Union Electric Corp.* v. *Wilson*, 434 F.2d 986 (6th Cir. 1970).

[52] Pet. App. F, *infra*.

[53] Pet. App. A at 9a-10a; Transcript of Proceedings, June 24, 1980, Pet. App. F at 31a. *See* note 4 *supra*.

First, should allegations of the infringer's fraud be considered relevant to the claim of damages for infringement and as a possible limitation on the availability of laches as a defense to such a damage claim? The infringer's fraud is considered a limitation on the availability of laches as a defense to claims for injunctive relief [54] but, because a claim for damages rather than injunctive relief was at stake, the court of appeals ruled that these allegations of fraud should be ignored and recited a rule that laches will bar a claim for damages even for bad faith infringement.[55]

As a consequence of this rule, fraud is a fact in issue only when equitable relief is requested, and thus becomes a question solely for the court rather than for the jury that will hear the damages claim. Moreover, if the court finds as a fact, as it did here, that laches alone is a sufficient defense to damages for the claimed infringement, there will be no jury.

The sources of this "rule" that removes fraud from the purview of the jury by maintaining that laches will bar a claim for even bad faith infringement are several decisions of this Court that substantially precede enactment of both the present federal trademark law[56] and the Federal Rules of Civil Procedure. The court below relied in particular on *Hanover Star Milling Co.* v. *Metcalf*, 240 U.S. 403 (1916), and *Hanover*, in turn, relied upon several

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[54] *See, e.g., James Burrough Ltd.* v. *Sign of the Beefeater, Inc.*, 572 F.2d 574 (7th Cir. 1978); *Harlequin Enterprises Ltd.* v. *Gulf & Western Corp.*, 644 F.2d 946 (2d Cir. 1981); *Menendez* v. *Holt*, 128 U.S. 514 (1888); *Baker* v. *Simmons Co.*, 307 F.2d 458 (1st Cir. 1962).

[55] Pet. App. A at 4a. This result is contrary to the holding in *Baker* v. *Simmons Co.*, 307 F.2d 458 (1st Cir. 1962), as reaffirmed in *Baker* v. *Simmons Co.*, 325 F.2d 580, 582 (1st Cir. 1963).

[56] Trademark Act of 1946, ch. 540, 60 Stat. 427 (codified as amended at 15 U.S.C. §§ 1051-1127).

older opinions.[57] But the rule established by all of these decisions is merely that laches will sometimes bar an accounting of profits—an equitable, not a legal remedy. The decisions do not address the question whether laches alone is to be considered a bar to the legal relief now available under the Trademark Act.[58] By applying to legal claims the rule established in *Hanover* for equitable causes, the court below—and the others that have adopted the same position[59]—have seriously eroded the right to trial by jury of legal claims under the trademark and unfair competition laws.

Furthermore, the appellate court's denial of a jury trial on petitioner's damage claim rests on the premise that the laches defense, which is applicable to both legal and equitable claims, should be tried to the court rather than to a jury. Like the fraud issues raised by petitioner, laches

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[57] *McLean* v. *Fleming*, 96 U.S. 245 (1877); *Menendez* v. *Holt*, 128 U.S. 514 (1888); *Saxlehner* v. *Eisner & Mendelson Co.*, 179 U.S. 19 (1900).

[58] *See* 15 U.S.C. § 1117; *Dairy Queen, Inc.* v. *Wood*, 369 US at 477.

[59] *See, e.g., James Burrough Ltd.* v. *Sign of the Beefeater, Inc., supra; Houston Sports Ass'n, Inc.* v. *Astro-Card Co.*, 520 F. Supp. 1178 (S.D.Tex. 1981); *Finance Co. of America* v. *Bankamerica Corp.*, 502 F. Supp. 593 (D.Md. 1980); *see generally* Annotation, *Laches as Affecting Claim for Accounting and Damages in Federal Action for Infringement of Trademark or Tradename*, 14 A.L.R. Fed. 342, 350-364. Many of these cases distinguish between damages before and after the lawsuit is brought and permit damages to be awarded against a willful infringer after the date the suit is filed, *see, e.g., James Burrough, Ltd., supra; Houston Sports Ass'n, Inc., supra*, presumably sending those issues to a jury if one is demanded. The trial court rejected petitioner's argument that because of CPC's fraud, damages might be awarded for part of the time infringement occurred, and dismissed all petitioner's damage claims. See page 9 *supra* and Pet. App. D.

relates directly to the availability of legal relief.[60] Although laches is traditionally a defense to equitable claims, when legal claims are made to depend upon it, laches too should go to the jury.

These questions concerning the scope of the right to jury trial when legal and equitable claims are mixed as they are in trademark infringement cases deserve definitive answers by this Court. To allow the ruling below to stand is to permit the lower courts to deprive litigants of their constitutional right to have their legal claims heard by a jury if they so demand.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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[60] The trademark act itself makes damages "subject to the principles of equity", 15 U.S.C. § 1117, but does not specify to whom these "principles" should be tried.